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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for the California Solar Initiative, the Self-Generation Incentive Program and Other Distributed Generation Issues.	Rulemaking 12-11-005 (Filed November 8, 2012)

COMMENTS OF SOLARCITY CORPORATION ON THE PROPOSED DECISION REVISING THE SELF-GENERATION INCENTIVE PROGRAM PURSUANT TO ASSEMBLY BILL 1637 AND GRANTING THE PETITION FOR MODIFICATION OF DECISION 16-06-055 BY THE CALIFORNIA SOLAR ENERGY INDUSTRIES ASSOCIATION

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Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), SolarCity Corporation respectfully submits these opening comments in support of Commissioner Rechtschaffen's Proposed Decision (PD) implementing Assembly Bill (AB) 1637 and approving the Petition for Modification (PFM) submitted by CalSEIA.

Regarding AB 1637 implementation, the PD's determinations overall are reasonable and consistent with the comments SolarCity made in response to the Assigned Commissioner's Ruling issued on December 30, 2016. As discussed below, there is one issue that would benefit from additional clarification. Specifically, the PD declines to increase the amount of funding allocated to residential energy storage systems, even though it notes that the additional funding should be available to projects of all sizes. Given the current structure of the program, which SolarCity continues to strongly support, this raises several implementation questions. We wish to be clear that any clarification of this issue should not delay the program's much anticipated relaunch.

1. About SolarCity

SolarCity offers paired solar and energy storage services to customers in California. SolarCity is California's leading full service solar power provider for homeowners and businesses – a single source for engineering, design, installation, monitoring, and support. The company currently has approximately 4,000 California employees based at more than 30 facilities around the state and had installed solar energy systems for over 300,000 customers nationwide as of September 30, 2016. Tesla, Inc. acquired SolarCity on November 21, 2016.

2. Introduction

Over the course of the Self-Generation Incentive Program's (SGIP) history, its ability to be truly transformative has been limited by the breadth of technologies it sought to support combined with relatively limited incentive funding available to actually drive deployment of those technologies. In recent years, the Legislature and Commission have taken significant steps to refocus the program and provide it with sufficient funding to achieve its objectives. Assembly Bill 1637, passed in the wake of the Commission's decision making wholesale reforms to the program, represents the latest example of the Legislature's strong commitment to supporting this program, and, arguably, represents an endorsement of the reforms that the Commission and stakeholders have worked so hard to make over the past two years.

However, regardless of the robustness of the new program design, limited funding continues to be a challenge. This was put into stark relief last year when the program briefly reopened to allocate half of the 2016 incentive budget. The funding was fully subscribed in a matter of minutes, with the program embroiled in significant controversy in the aftermath. The Commission and stakeholders used that experience to inform necessary changes in the program's structure, which we believe can do much to prevent these issues going forward. Nonetheless, in SolarCity's view, it is inescapable that limited funding has created challenges for the program that AB 1637 and the Commission's proposed implementation thereof can help address.

First, and foremost, we fully support the determination to use the full extent of the authority provided the Commission in AB 1637 to double the annual budget of the program. Recognizing that a significant amount of the increased demands on the program emanate from strong interest in storage, SolarCity also appreciates the additional priority the PD places on funding for storage. We also find the modest and "tailored" back-loading of funding reasonable as a means to increase the total capacity of storage the program can ultimately support while recognizing that some of the funding should be allocated to earlier, higher cost steps to help the industry scale and achieve cost reductions in the near and medium term.

SolarCity also supports the PD's adoption of CALSEIA's PFM seeking reforms to the incentive schedule applicable to investment tax credit (ITC) supported, non-residential projects. By establishing a fixed differential between the incentive available to non-ITC supported and ITC-supported projects, SolarCity believes the incentive schedule is more consistent with the intent of the original decision, namely to reasonably account for the ITC-benefit that some projects receive when determining the incentive amount projects are eligible to receive, while not unreasonably limiting the ability of ITC-supported projects to receive SGIP support over the life of the program.

3. Clarification is needed on how residential projects can seek funding from the general pool of storage incentives.

The PD determines not to allocate any additional funding made available through AB 1637 to the residential incentive budget. In making this determination, the PD states that, "In order to maximize the impact of the newly authorized funds towards SGIP program goals, we direct that the AB 1637 funds allocated to the energy storage category be available to systems of all sizes…"[1] While SolarCity is agnostic on this general approach, it does raise a number of implementation questions regarding, how, exactly, residential projects would access these funds. At the March 10 SGIP workshop, the Program Administrators (PAs) indicated that access to additional funds by small residential projects would not be allowed at the outset, rather, the PAs would have to submit an advice letter providing access to these funds, based on their sense for whether demand for small, residential systems warranted increasing the funding available to this category of projects.

On its face, the PAs' approach appears inconsistent with a plain reading of the PD, which states that the funds will "be available to systems of all sizes." Given this straightforward language, SolarCity submits that there should be a means by which developers of residential projects can seek funds from the 85% of AB 1637 funding allocated for storage projects. One could easily envision a number of scenarios where this may be desirable for a developer. For example, should the residential incentive move through the incentive steps faster than the non-residential-specific incentive, a developer may wish to seek funding at the higher incentive level available through the non-residential-specific incentive budget. Additionally, if a developer has hit their developer cap within a given residential incentive step, but has not hit their cap in the

[1] PD, p. 13.

active non-residential-specific incentive step, they may wish to apply for incentives from the non-residential-specific incentive budget.

SolarCity supports allowing developers to pursue incentives as described in these scenarios, but clarification that this will be allowed and how this will work would be helpful. We also believe such clarification is necessary in light of the approach the PAs are inclined to take, which as noted above, appears inconsistent with a plain reading of the PD's language. Presumably, residential storage project incentives would mirror the non-ITC-funded incentives for larger storage projects, as was established in D.16-06-055,[2] but the Commission may want to clarify this in the PD. For instance, a sentence about residential storage incentive levels could be added to the paragraph on page 13 of the PD that states that AB 1637 storage funding is for projects of all sizes.

SolarCity suggests that the PD clarify that small residential storage projects can access AB 1637 funds allocated to energy storage by adding the following underlined text in the third bulleted item in ordering paragraph (OP) 1:

> The additional funding authorized by AB 1637 shall be allocated to the energy storage category and the generation category of SGIP, as follows: 85% of the AB 1637 funds to the energy storage category <u>for projects of any size,</u> with no AB 1637 funds <u>dedicated</u> to the existing carve-out for energy storage projects less than or equal to 10 kilowatts in size, and 15% of the AB 1637 funds to renewable generation projects within the generation category, as defined in D.16-06-055 and the Renewables Portfolio Standard program.

In raising these issues, we do want to be clear that we do not believe this issue needs to be fully resolved before the SGIP relaunches. However, it may be worthwhile for the

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[2] D.16-06-055, p. 33 (Table 8).

Commission to convene another workshop to discuss this in relatively short order to identify what steps need to be taken to operationalize the PD's proposal as it relates to this specific issue.

4. Conclusion

SolarCity thanks Commissioner Rechtshaffen for his timely and well-considered PD regarding the implementation of AB 1637 as well as the adoption of CALSEIA's PFM. Overall we strongly support the determinations in the PD. Though by no means a reason for delaying the program's much anticipated relaunch, we do believe that some clarification is necessary in order to ensure the PD's intent, whereby residential projects would be allowed to reserve funds from the non-residential specific storage incentive budget, can be put into practice.

Respectfully submitted,

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